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and purchase agreement shall be filed with the Commission, along with an explanation, within 10 business days of closing.

6. The parties agree that there are three elements of the contract that should be addressed in the Commission's order: (1) Direct has agreed to the general principle that any amount in the purchase price which is above the Commission determined original cost be booked as an acquisition adjustment and will not be included in the calculations for development of rates and USF support; (2) the contract makes the sale conditional upon Direct Communications Cedar Valley receiving approval to participate in federal and state universal service support funds; and (3) in the event Direct or the City terminate the contract according to its terms, the certification for which Direct has petitioned should be vacated. The Certificate of Public Convenience and Necessity to be granted is contingent upon the closing of the contract by Direct and the City and Direct Communications Cedar Valley obtaining membership in NECA and the receipt of Federal USF support. Direct will notify the Commission of the decision of the FCC prior to closure of the sale.

7. The parties agree that Direct Communications Rockland has the financial, managerial, and technical experience and resources necessary to operate the system in Eagle Mountain and provide for its growth and modernization consistent with the best practices of the industry throughout the rest of Utah. Direct Communications Rockland has proposed to operate the Eagle Mountain system

through its subsidiary. Direct Communications Rockland, as the corporate parent of the subsidiary, agrees to assume ultimate responsibility for the financial stability and sound management of its subsidiary, and that it will assure the subsidiary's compliance with the rules and regulations of the Commission and the Division's statutory enforcement role. To the extent that external financing is required for funding principal or interest, for additional capital investment necessary for plant upgrades, new facilities and the successful operation of the system Direct is purchasing, Direct Communications Rockland shall bear that responsibility.

8. The specific elements to which the parties further stipulate are as follows:

a. Qwest agrees to file a request for an amended certificate and request for a modification to the Lehi Exchange boundary, which will exclude the area now served by the City's municipal telephone system from Qwest's current Lehi Exchange boundaries. This modification is conditioned upon the closing of the sale of the City's system to Direct.

b. Qwest and Direct agree that it will be necessary for both companies to file a request for a Study Area Waiver with the FCC, which will remove the area served by Direct Communications Cedar Valley from Qwest's Study Area and create a separate Study Area for Direct Communications Cedar Valley. The parties agree that the Commission should find that such a waiver and modification of Study Area boundaries is in the public interest and that this Commission encourages

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favorable action thereon by the FCC.

c. Direct agrees that Direct Communication Cedar Valley's rate for terminating switched access will not exceed 5 cents per minute for 3 years following the date of closing. In the event that the Commission or any party other than Direct seeks an increase in Direct Communications Cedar Valley's terminating access rate within those 3 years, Qwest shall be given notice of the requested increase and an opportunity to be heard.

d. The parties agree that the Certificate issued by the Commission to Direct Communication Cedar Valley contemplates that it will obtain federal USF support and NECA pool eligibility as quickly as possible. The parties request that the Commission re-open this docket and consider vacating the Certificate in the event the FCC does not approve NECA pool participation or federal USF support as requested.

e. The parties stipulate that Direct Communications Cedar Valley qualifies for "eligible telecommunications carrier" status, pursuant to all of the requirements of state and federal law, specifically, 47 U.S.C. § 214(e)(2), and request that the Commission so find. Direct Communications Cedar Valley will be the only ETC in the area it will serve, and it will be the carrier of last resort in a high cost rural area of the state. Direct Communications Cedar Valley will not be in competition with any other incumbent local exchange carrier ("ILEC") within the area of its Certificate.

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f. The parties stipulate that Direct Communications Cedar Valley meets the requirements of Utah Code Ann. § 54-8b-15 and Commission Rule 746-360-6 for eligibility to participate in the Utah USF.

g. The parties agree that the area currently served by Eagle Mountain's telephone system, prior to inauguration of the City's telephone system, was an area in which no other carrier had existing facilities, leaving it, essentially, unserved. Exhibit 1, which is attached hereto and is incorporated herein by reference, contains a factual narrative providing greater detail regarding the history of telephone service in this area.

Direct represents the accuracy of this narrative, and the parties do not object to it for purposes of this Stipulation.

h. The parties stipulate and agree that this Commission should make certain findings and conclusions with respect to Direct Communications Cedar Valley's status which are consistent with facts common to recent FCC decisions approving early federal USF participation and NECA pool participation from applicants which have not met the technical definitions of ILEC status and propose to serve previously unserved areas. Such findings and conclusions should include the following sub-elements:

- i. ETC status pursuant to 47 U.S.C. § 214(e)(2);
- ii. Rural carrier status pursuant to 47 U.S.C. § 153(47);
- iii. Direct Communications Cedar Valley meets the requirements of Utah

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Code Ann. § 54-8b-15 and Commission Rule 746-360-6 to be eligible to participate in the Utah USF;

iv. The necessity for USF support, without which Direct Communications Cedar Valley would have to raise rates to recover amounts which would otherwise come from USF;

v. Direct Communications Rockland is an ILEC and an ETC in Idaho, and Direct Communications Cedar Valley should be regulated in Utah as an ILEC, inasmuch as its operations will be consistent in every practical and legal sense with the operations of the other Utah ILECs;

vi. Like the other rural Utah ILECs, Direct Communications Cedar Valley should be subject to all the statutes, rules and provisions which apply to rural ILECs.

vii. The City's municipal service has, and Direct Communication Cedar Valley 's service will, function as the carrier of last resort in the area served;

viii. Direct Communication Cedar Valley is not a CLEC, and is not in competition with any other ILEC in the area that it will serve;

ix. Direct Communications Cedar Valley is not a reseller, but is a facilities based carrier as that term is defined in Commission Rule 746-360-2(E);

I. The parties stipulate that Direct Communications Cedar Valley is a "telephone corporation" as defined in Utah Code Ann. § 54-2-1(23), and that it is a "local exchange carrier" as defined in Commission Rule 746-240-2(c), and that it

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be providing "local exchange service" in the area served by the City's municipal telephone utility, as defined in Utah Code Ann. § 54-8b-2(8).

j. The parties stipulate that Direct Communication Cedar Valley's initial basic local rates shall be the rates currently in effect, as of the date hereof for the City's system, adjusted to recognize appropriate EAS and SLC charges.

k. The parties agree that there shall be a presumption that Direct's acquisition costs related to the purchase of the City's system should not be included in the calculation of Direct Communication Cedar Valley's revenue requirement nor reimbursed from the Utah USF; however, Direct Communication Cedar Valley shall not be precluded from requesting recovery of such acquisition costs in a future rate proceeding. Any amount in sales price above book value will be booked as an acquisition adjustment and will not be included in the revenue requirement calculation for development of rates. Any draw by Direct Communication Cedar Valley on the Utah USF shall be conditioned upon a satisfactory Commission review of Direct Communication Cedar Valley's revenue requirement and rate structure in accordance with Commission Rule 746-360-2(b). In order to ensure accuracy and an understanding of operations, Direct Communication Cedar Valley shall collect 18 months of actual data before filing a rate proceeding with the Commission. The parties anticipate the rate proceeding will be completed within 6 months after it is filed. However, Direct Communication Cedar Valley may draw USF support immediately for a Lifeline service when such service is established in

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accordance with the Commission's rules.

l. In the event any of the plant to be purchased by Direct does not meet industry standards, USF support or customer rates shall not be used to pay for the costs of replacement, including the cost of unrecovered depreciation, without Commission approval.

m. The parties stipulate that in calculating Direct Communications Cedar Valley's revenues, all sources of revenue shall be considered. For purposes of Direct Communication Cedar Valley's first rate case, toll and DSL revenues will be included. In rate proceedings, Direct Communications Cedar Valley agrees that its actual capital structure can be included in the calculation of revenue requirements.

n. Direct Communications Cedar Valley will inform customers that they have the right to choose both an intra- and interstate carrier other than Direct Communications Cedar Valley for their long distance service.

o. Direct Communications Cedar Valley will file with the Commission semi-annual financial reports of operations and be subject to audit as the Division may determine necessary for the first 24 months of its operations. Direct Communications Cedar Valley shall also provide an informational copy to the Commission of all filings made by Direct Communications Cedar Valley with the FCC and NECA prior to the closing of its contract with the City. Direct Communications Cedar Valley will promptly advise the Commission of any pre-closing rulings by the FCC and NECA.

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p. Direct will advise the Commission and the Division of a projected contract closing date and effective date of its tariffs not later than 10 days in advance of any such projection. Direct Communications Cedar Valley shall file its operating tariffs and rules and regulations not later than 30 days in advance of the service cut-over. Direct Communications Cedar Valley's initial basic local rates shall be the rates currently in effect for the City's system as of July 1, 2004, adjusted to recognize appropriate EAS and SLC charges. Adjustments to the current rates will be considered in Direct Communications Cedar Valley's first rate proceeding. Within one month after Direct Communications Cedar Valley commences those operations, it will begin to collect traffic and cost data separately for business and residential lines to and from each other Utah County exchange, for each successive period of three months to enable the calculation of EAS rates and traffic stimulation factors. Direct Communications Cedar Valley will report this data to the Division and to the Committee of Consumer Services within one month of the end of each three-month period. Until these studies enable cost-based EAS rates to be set by the Commission in Direct Communications Cedar Valley's first rate proceeding, proxy EAS rates will be set for the Eagle Mountain exchange at the current Qwest rate for the Lehi Exchange. If new facilities are required in order to continue EAS services, a cost study will be conducted to determine whether EAS rates need to be further adjusted to cover the total cost of the service.

q. As a condition of the order, Direct Communications Cedar Valley shall



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ensure that no Eagle Mountain subscriber will be in a worse customer position as a result of Direct's purchase of the City's system than they were under the City's service with respect to rates, services offered, and service quality. If the Commission should determine at a future time that the subscribers are in a worse position in any of those specific respects, Direct, consistent with its guarantee, will be responsible for implementing a satisfactory remedy, consistent with state law.

9. The parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

10. The parties recommend that the Commission adopt this Stipulation in its entirety. No party shall appeal any portion of this Stipulation and no party shall oppose the adoption of this Stipulation pursuant to any appeal filed by any person not a party to the Stipulation. Direct and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation, and other parties may make such witnesses available. In the event other parties introduce witnesses opposing approval of the Stipulation, the parties agree to cooperate in cross-examination and in providing testimony as necessary to rebut the testimony of opposing witnesses.

11. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in

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whole or in part by an appellate court, each party reserves the right, upon written notice to the Commission and the other parties to this proceeding delivered no later than 5 business days after the issuance date of the applicable Commission or court order, to withdraw from this Stipulation. In such case, no party shall be bound or prejudiced by the terms of this Stipulation, and each party shall be entitled to undertake any steps it deems appropriate.

12. The parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

13. No party is bound by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgement by any party of the validity or invalidity of any particular method, theory or principle of regulation, cost recovery, cost of service or rate design, and no party shall be deemed to have agreed that any method, theory or principle of regulation, cost recovery, cost of service or rate design employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future except as specified herein. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation. .

14. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

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DATED this 8<sup>th</sup> day of July, 2004.

/s/ David R. Irvine  
Attorney for Direct Communications

/s/ Michael Ginsberg  
Assistant Attorney General  
Division of Public Utilities

/s/ Stephen F. Mecham  
Attorney for the Utah Rural Telecom  
Association

/s/ Gregory S. Monson  
Attorney for Qwest Communications

/s/ Paul Proctor  
Assistant Attorney General  
Counsel to the Utah Committee  
Of Consumer Services

READ INSTRUCTIONS CAREFULLY  
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION  
REMITTANCE ADVICE

RECEIVED & INSPECTED  
NOV 12 2004  
FCC - MAILROOM

Approved by OMB  
3040-0280  
Page No. 1

|  |                                |  |                        |
|--|--------------------------------|--|------------------------|
| (1) LOCK BOX #<br>358140   |                                | SPECIAL PURPOSE<br>FCC USE ONLY                              |                        |
| <b>SECTION A - PAYER INFORMATION</b>   |                                |  |                        |
| (2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card)<br>Direct Communications Rockland, Inc.   |                                | (3) TOTAL AMOUNT PAID (U.S. Dollars and cents)<br>\$6,840.00 |                        |
| (4) STREET ADDRESS LINE NO. 1<br>150 South Main Street   |                                |  |                        |
| (5) STREET ADDRESS LINE NO. 2<br>Box 269   |                                |  |                        |
| (6) CITY<br>Rockland   |                                | (7) STATE<br>ID  | (8) ZIP CODE<br>83271  |
| (9) DAYTIME TELEPHONE NUMBER (include area code)<br>(208) 548-2345   |                                | (10) COUNTRY CODE (if not in U.S.A.)                         |                        |
| FCC REGISTRATION NUMBER (FRN) REQUIRED   |                                |  |                        |
| (11) PAYER (FRN)<br>0004321790   |                                | (12) FCC USE ONLY  |                        |
| IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)<br>COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET  |                                |  |                        |
| (13) APPLICANT NAME<br>Direct Communications Cedar Valley, LLC   |                                |  |                        |
| (14) STREET ADDRESS LINE NO. 1<br>350 South 400 East   |                                |  |                        |
| (15) STREET ADDRESS LINE NO. 2<br>Ste. 201   |                                |  |                        |
| (16) CITY<br>Salt Lake City  |                                | (17) STATE<br>UT   | (18) ZIP CODE<br>84111 |
| (19) DAYTIME TELEPHONE NUMBER (include area code)<br>(801) 363-4011  |                                | (20) COUNTRY CODE (if not in U.S.A.)                         |                        |
| FCC REGISTRATION NUMBER (FRN) REQUIRED   |                                |  |                        |
| (21) APPLICANT (FRN)<br>0011862927   |                                | (22) FCC USE ONLY  |                        |
| COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET  |                                |  |                        |
| (23A) CALL SIGN/OTHER ID   | (24A) PAYMENT TYPE CODE<br>BEA | (25A) QUANTITY<br>1  |                        |
| (26A) FEE DUE FOR (PTC)<br>\$6,840.00  | (27A) TOTAL FEE<br>\$6,840.00  | FCC USE ONLY   |                        |
| (28A) FCC CODE 1   |                                | (29A) FCC CODE 2   |                        |
| (23B) CALL SIGN/OTHER ID   | (24B) PAYMENT TYPE CODE        | (25B) QUANTITY   |                        |
| (26B) FEE DUE FOR (PTC)  | (27B) TOTAL FEE                | FCC USE ONLY   |                        |
| (28B) FCC CODE 1   |                                | (29B) FCC CODE 2   |                        |
| <b>SECTION D - CERTIFICATION</b>   |                                |  |                        |
| CERTIFICATION STATEMENT<br>David R. Irvine, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.<br>SIGNATURE <u>David R. Irvine</u> DATE <u>10/27/04</u> |                                |  |                        |
| <b>SECTION E - CREDIT CARD PAYMENT INFORMATION</b>   |                                |  |                        |
| MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____  |                                |  |                        |
| ACCOUNT NUMBER _____   |                                | EXPIRATION DATE _____  |                        |
| I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described.   |                                |  |                        |
| SIGNATURE _____  |                                | DATE _____   |                        |

SEE PUBLIC BURDEN ON REVERSE

FCC FORM 159

FEBRUARY 2003 (REVISED)

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FEDERAL COMMUNICATIONS COMMISSION  
REMITTANCE ADVICE (CONTINUATION SHEET)  
Page No. 2 of 2

USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT  
SECTION BB - ADDITIONAL APPLICANT INFORMATION

|  |                         |                                      |
|--|-------------------------|--------------------------------------|
| (13) APPLICANT NAME<br><b>Qwest Corporation</b>                            |                         |                                      |
| (14) STREET ADDRESS LINE NO. 1<br><b>607 14th St., N.W.</b>                |                         |                                      |
| (15) STREET ADDRESS LINE NO. 2<br><b>Ste. 950</b>                          |                         |                                      |
| (16) CITY<br><b>Washington</b>   | (17) STATE<br><b>DC</b> | (18) ZIP CODE<br><b>20005</b>        |
| (19) DAYTIME TELEPHONE NUMBER (include area code)<br><b>(303) 383-6653</b> |                         | (20) COUNTRY CODE (if not in U.S.A.) |
| FCC REGISTRATION NUMBER (FIR) REQUIRED                                     |                         |                                      |
| (21) APPLICANT (FIR)<br><b>0003746757</b>                                  |                         |                                      |

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

|                          |                         |                |
|--------------------------|-------------------------|----------------|
| (23A) CALL SIGN/OTHER ID | (24A) PAYMENT TYPE CODE | (25A) QUANTITY |
| (26A) FEE DUE FOR (PTC)  | (27A) TOTAL FEE         |                |
| (28A) FCC CODE 1         | (29A) FCC CODE 2        |                |
| (23B) CALL SIGN/OTHER ID | (24B) PAYMENT TYPE CODE | (25B) QUANTITY |
| (26B) FEE DUE FOR (PTC)  | (27B) TOTAL FEE         |                |
| (28B) FCC CODE 1         | (29B) FCC CODE 2        |                |
| (23C) CALL SIGN/OTHER ID | (24C) PAYMENT TYPE CODE | (25C) QUANTITY |
| (26C) FEE DUE FOR (PTC)  | (27C) TOTAL FEE         |                |
| (28C) FCC CODE 1         | (29C) FCC CODE 2        |                |
| (23D) CALL SIGN/OTHER ID | (24D) PAYMENT TYPE CODE | (25D) QUANTITY |
| (26D) FEE DUE FOR (PTC)  | (27D) TOTAL FEE         |                |
| (28D) FCC CODE 1         | (29D) FCC CODE 2        |                |
| (23E) CALL SIGN/OTHER ID | (24E) PAYMENT TYPE CODE | (25E) QUANTITY |
| (26E) FEE DUE FOR (PTC)  | (27E) TOTAL FEE         |                |
| (28E) FCC CODE 1         | (29E) FCC CODE 2        |                |
| (23F) CALL SIGN/OTHER ID | (24F) PAYMENT TYPE CODE | (25F) QUANTITY |
| (26F) FEE DUE FOR (PTC)  | (27F) TOTAL FEE         |                |
| (28F) FCC CODE 1         | (29F) FCC CODE 2        |                |



**DIRECT COMMUNICATIONS ROCKLAND, INC.**

**GENERAL FUND**

P.O. BOX 269 • (208) 548-2345  
ROCKLAND, IDAHO 83271

**ZIONS BANK**  
PARIS OFFICE  
90 NORTH MAIN STREET  
PARIS, IDAHO 83281  
92-112 / 1241 424

CHECK NUMBER

**3194**

00453

| CHECK NO. | DATE     | AMOUNT       |
|-----------|----------|--------------|
| 03194     | 10/19/04 | ****6,840.00 |

PAY

SIX THOUSAND EIGHT HUNDRED FORTY DOLLARS AND 00 CENTS

TO  
THE  
ORDER  
OF

**FEDERAL COMMUNICATION COMMISSION**

Washington DC

*Leonard My*  
Valid After 90 Days

⑈003194⑈ ⑆124101128⑆ 424 00048 7⑈

**DIRECT COMMUNICATIONS ROCKLAND, INC. • GENERAL FUND • Rockland, Idaho 83271**

PLEASE DETACH AND RETAIN BOTTOM STUB

| DATE | INVOICE NO. | AMOUNT | DATE | INVOICE NO. | AMOUNT |
|------|-------------|--------|------|-------------|--------|
|------|-------------|--------|------|-------------|--------|

10/19/04    JOINT PETITION    6840.00

**3194**

**3194**